

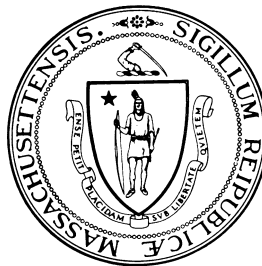
*Massachusetts Division of Health Care Finance and Policy*

# Uncompensated Care Pool PFY06 Annual Report

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July 2007

**Sarah Iselin, Commissioner**



Deval L. Patrick, Governor  
Commonwealth of Massachusetts

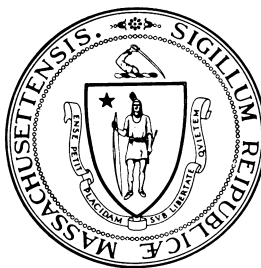
JudyAnn Bigby, M.D., Secretary  
Executive Office of Health and Human Services



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**Uncompensated Care Pool PFY06 Annual Report**  
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# A Word About the Division

## **Satisfying the Need for Health Care Information**

The effectiveness of the health care system depends in part upon the availability of information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division publishes reports that focus on various health care policy and market issues.

**T**he Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that makes payments to Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured people.

## **Mission**

To improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts. Agency goals:

- Assure the availability of relevant health care delivery system data to meet the needs of health care purchasers, providers, consumers and policy makers;
- Advise and inform decision makers in the development of effective health care policies;
- Develop health care pricing strategies that support the cost effective procurement of high quality services for public beneficiaries; and
- Improve access to health care for low-income uninsured and underinsured residents.

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# Introduction

Pursuant to Chapter 139 of the Acts of 2006, the Division of Health Care Finance and Policy (the Division) submits quarterly and annual reports on the demographics and utilization patterns of individuals whose medical care is paid for by the Uncompensated Care Pool (UCP or 'the Pool'). This annual report covers Pool activity during Pool Fiscal Year 2006 (PFY06) from October 1, 2005, through September 30, 2006, and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Analyses of the utilization patterns of Pool users are based on claims for services billed to the Pool by each acute care hospital and community health center (CHC) in Massachusetts. Demographic information is taken from uncompensated care applications submitted to the Division and through MassHealth. Total charges and allowable uncompensated care costs are based on monthly reports submitted to the Division by each hospital and CHC. The most recently available data are used in all cases. See Data Notes for further information on the data used in these analyses.

This report looks at several components of Pool activity during PFY06:

*Pool Utilization Statistics*, including the number of individuals whose medical expenses were billed to the Pool, the volume of services provided to Pool users, and the costs to the Pool of that care;

*Pool User Demographics*, including the volume of services and costs by age, gender, family income, and family size;

*Services Billed to the Pool*, including details on the types of services received by Pool users, inpatient and outpatient volume and costs by age and gender, type of inpatient admission, common diagnoses and procedures, and average costs for inpatient discharges and outpatient visits; and

*Financing*, including the sources and uses of UCP funds, PFY06 hospital assessment and payment calculations, CHC payments, details about the UCP Demonstration Projects, and Pool settlement and audit information.

## Uncompensated Care Pool Overview

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and CHCs to eligible low-income uninsured and underinsured individuals. In addition, the Pool makes payments to hospitals for emergency services for uninsured individuals from whom the hospitals are unable to collect payment (these are known as emergency bad debt charges or ERBD). The Pool is always the payer of last resort on any claim. If an individual is uninsured, the Pool is the primary

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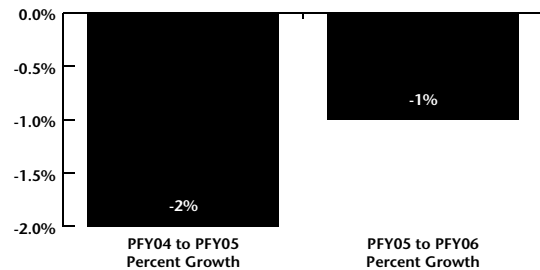
and only payer. However, if another public or private insurer is the primary payer, the Pool can be charged for the balance of charges for which the eligible individual is responsible. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3100, or visit [www.mass.gov/dhcfp](http://www.mass.gov/dhcfp).

Beginning in PFY04, the UCP payment method for hospitals changed from

a retrospective payment system to a prospective fixed-payment system. Under this current system, acute care hospitals are paid a pre-determined amount from the Pool each month based in part on historical uncompensated care costs. CHCs continue to be paid up to an annual cap that is set for total CHC expenditures. See the Financing section of this report for comprehensive financial information on the Pool.

# Utilization

**Figure 1: Percent Change in Number of Pool Users, PFY04–PFY06**



## Pool Utilization Statistics

### *Number of Individuals Using the Pool*

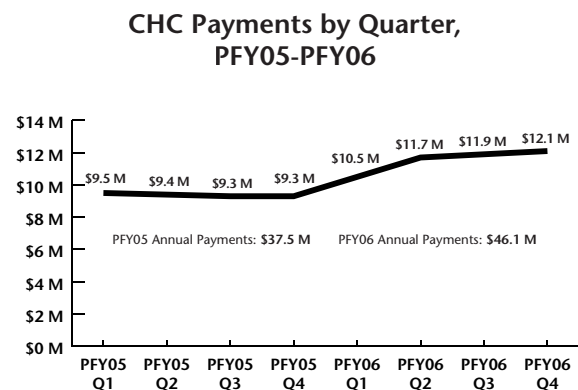
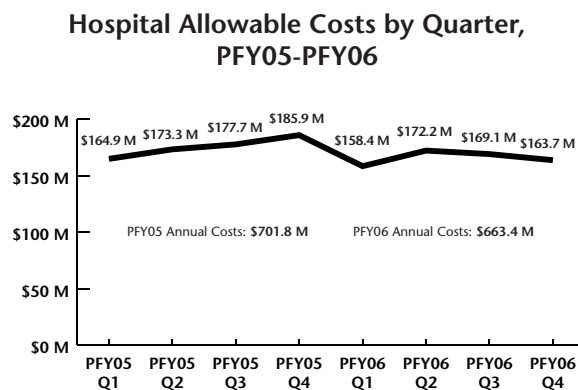
In PFY06, medical expenses for an estimated 451,978 individuals were billed to the Pool, representing a 1% decrease in Pool users over PFY05. In PFY05, medical expenses for 455,056 individuals were billed to the Pool.

Figure 1 outlines the decrease in the growth rate of UCP users over time. The number of users decreased by 2% between PFY04 and PFY05, and decreased by 1% between PFY05 and PFY06.

### *Allowable Costs Billed to the Pool*

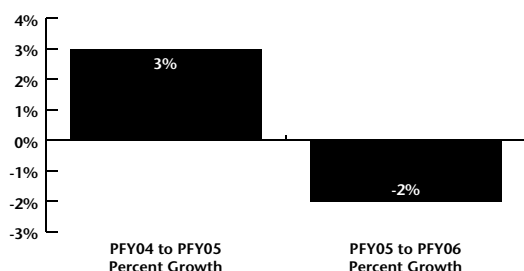
During PFY06, hospitals billed approximately \$663.4 million in allowable uncompensated care costs to the Pool, a 5.8% decrease from the \$701.8 million billed to the Pool in PFY05 (see Figure 2A).<sup>1</sup> CHCs received \$46.1 million during PFY06. This represents a 23.0% increase over the \$37.5 million in payments made to CHCs during PFY05 (see Figure 2B).

**Figures 2A and 2B: Costs and Payments (in millions)**



\* PFY06 Q4 includes a \$2.3 M special payment made to CHCs from the PFY06 surplus.

**Figure 3: Growth in Hospital Uncompensated Care Charges, PFY04–PFY06**



PFY06 data reflect a decrease in the overall growth rate of Pool charges as well (see Figure 3). While Pool charges between PFY04 and PFY05 increased by 3%, growth slowed substantially to -2% between PFY05 and PFY06.

#### ***Volume of Services Provided***

Table 1 summarizes the volume and costs of services billed to the Pool during PFY06. As in PFY05, inpatient discharges represented a small percentage (2%) of service volume, but a large percentage (30%) of allowable uncompensated care costs. In contrast, hospital outpatient visits (including visits to hospital-licensed health centers) accounted for 76% of services provided and

64% of costs. The remaining 22% of services and 6% of costs were for services delivered at free-standing CHCs.

Hospital services provided to individuals who had applied for and were determined eligible for uncompensated care accounted for 91% of all services and 88% of allowable hospital costs billed to the Pool. The remaining 9% of hospital services and 12% of allowable costs were for uncollectible emergency bad debt (ERBD) services. ERBD as a percentage of hospital services and costs decreased from PFY05 when ERBD represented 12% of volume and 15% of costs.

Figures 4A, 4B, and 4C on page 5 show the continuing decrease in UCP hospital utilization growth rates between PFY04 and PFY06. For example, the growth rate for outpatient visits by Pool users was -8% between PFY04 and PFY05 and -5% between PFY05 and PFY06. A similar decline was also evident for inpatient discharges. In contrast, CHC visits increased by 6% between PFY05 and PFY06.

#### **Pool User Demographics<sup>2</sup>**

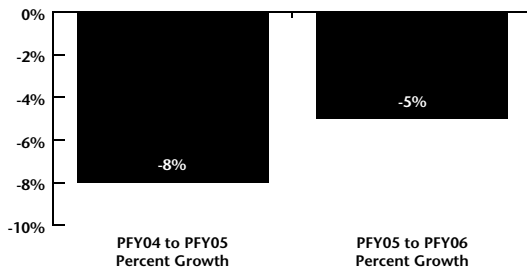
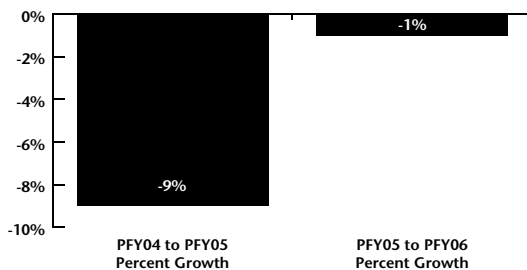
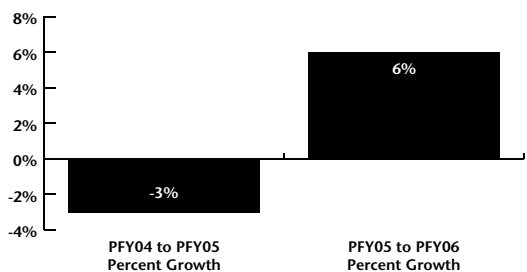
In PFY06, the demographic characteristics of Pool users remained essentially unchanged from the previous year, with

**Table 1: Total Service Volume and Costs by Hospital and CHC, PFY06**

	Service Volume	Percent of Total Volume	Allowable Costs to the Pool	Percent of Total Costs
Total Inpatient Discharges	42,764	2%	\$212,291,488	30%
Total Outpatient Visits*	1,569,910	76%	\$451,119,413	64%
Total Hospital Discharges/Visits**	1,612,674	78%	\$663,410,901	94%
CHC Visits	446,390	22%	\$46,112,408	6%
Total Hospital and CHC Volume	2,059,064	100%	\$709,523,309	100%

\* Outpatient Visits include visits to hospital outpatient departments and hospital-licensed community health centers.

\*\* 91% of service volume and 88% of costs were for regular uncompensated care services; 9% of service volume and 12% of costs were for emergency bad debt services (ERBD).

**Figure 4A: Percent Change in Pool User Outpatient Visits, PFY04–PFY06****Figure 4B: Percent Change in Pool User Inpatient Discharges, PFY04–PFY06****Figure 4C: Percent Change in Pool User CHC Visits, PFY04–PFY06**

the majority of Pool users being uninsured, single, childless adults ages 19 to 64, with very low incomes.

#### *Insurance Status of Pool Users*

The vast majority of Pool users were uninsured; 75% of all medical services billed to the Pool and 81% of costs were for individuals who reported having no insurance, and for whom the Pool was the primary and only payer. As such, the Pool paid for all medically necessary services for these uninsured individuals. The remainder of the Pool user population was covered by other public or private insurance, but the Pool was billed for any uncovered services, copayments, and deductibles. For this population, MassHealth was the primary payer for 15% of service volume and 14% of costs billed to the Pool; Medicare was the primary payer for 5% of services and 1% of costs, and other commercial and government programs were the primary payers for 6% of services and 4% of costs (see Figures 5A and 5B on page 6).

This PFY06 annual report uses the integrated dataset of MassHealth application information to match UCP claims directly with MassHealth eligibility data. This creates a more refined analysis of the number of Pool users who have MassHealth (see Data Notes for an explanation of this dataset). The percentages of UCP volume and costs generated by MassHealth members are greater in this annual report compared with earlier reports. Comparison with PFY04 and PFY05 annual reports may not reflect increased utilization of the UCP by MassHealth members; PFY06 increases reflect a more accurate methodology for identifying MassHealth ‘wrap’ claims and costs.

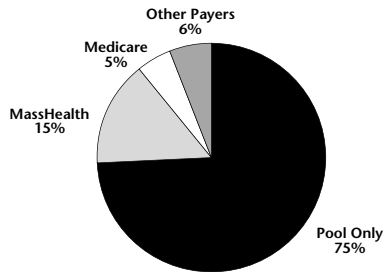
#### *Utilization Patterns by Gender*

As in previous years, men in the Pool used fewer services than women (42% of services billed to the Pool were for men

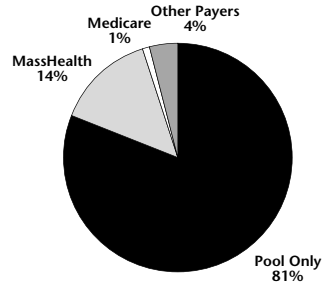
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### Figures 5A and 5B: Primary Payer

Percent of Total Service Volume  
by Primary Payer, PFY06



Percent of Total Hospital Pool Costs  
by Primary Payer, PFY06



versus 58% for women), but generated more hospital costs, 52% for men versus 48% for women (see Figures 6A and 6B). This difference reflects a variation in utilization patterns: men are more likely than women to receive inpatient hospital care, which accounts for higher costs to the Pool, while women more typically receive outpatient services (see also Figures 10A and 10B on page 8).

#### *Utilization Patterns by Age*

The Pool primarily pays for services for non-elderly adults. Young adults ages 25 to 44 received the largest percentage of

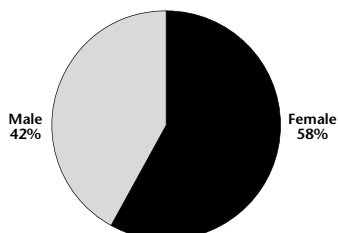
services (37%), while the entire non-elderly population ages 19 to 64 received 85% of the total service volume (see Figure 7A on page 7). The distribution of hospital costs by age shows this same pattern (see Figure 7B on page 7).

#### *Utilization Patterns by Income*

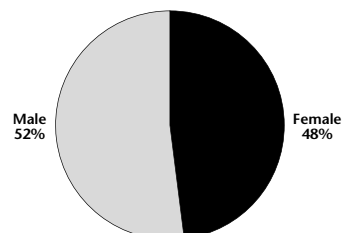
The majority of Pool users were low-income, single adults (see Figures 8A and 9A). Over three-quarters (79%) of services billed to the Pool were for individuals with incomes less than 200% FPL, who were thereby eligible for full uncompensated care. Interestingly, Pool users with

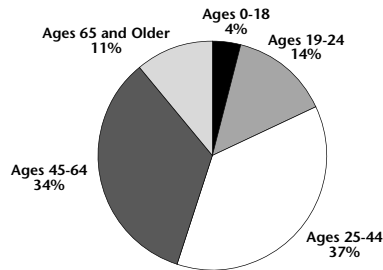
### Figures 6A and 6B: Gender of Patient

Percent of Total Hospital Service Volume  
by Gender of Patient, PFY06



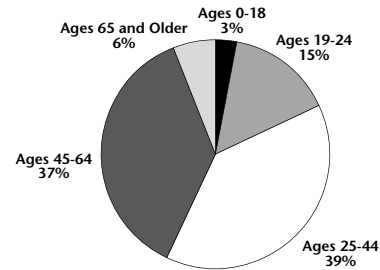
Percent of Total Hospital Costs  
by Gender of Patient, PFY06



**Figures 7A and 7B: Age of Patient****Percent of Total Hospital Service Volume  
by Age of Patient, PFY06**

no income accounted for 31% of service volume, but represented 40% of allowable hospital uncompensated care costs (see Figures 8A and 8B); as a group, they were more costly than other Pool users. This same pattern was also observed in PFY05.

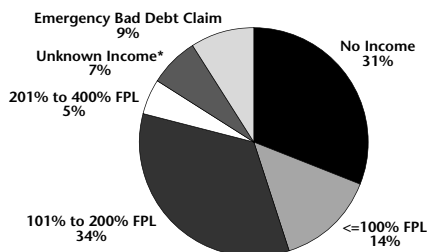
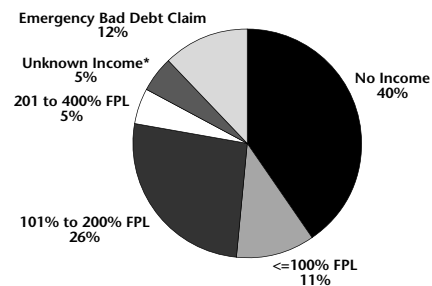
In contrast, the group of Pool users with family incomes between 101% and 200% FPL was less costly and accounted for 34% of claims, but for only 26% of costs. ERBD claims (for which there are no income data) were also relatively costly,

**Percent of Total Hospital Costs  
by Age of Patient, PFY06**

accounting for 9% of service volume, but 12% of costs.

**Utilization Patterns by Family Size**

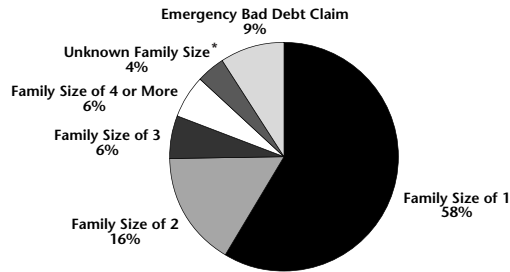
Over two-thirds of service volume (74%) and costs (76%) to the Pool were for one- or two- person families. Fifty-eight percent of all services were for single, childless adults, and another 16% were for two-person families comprised of two adults, or an adult and child (see Figures 9A and 9B on page 8).

**Figures 8A and 8B: Reported Family Income****Percent of Total Hospital Service Volume  
by Family Income, PFY06****Percent of Total Hospital Costs  
by Family Income, PFY06**

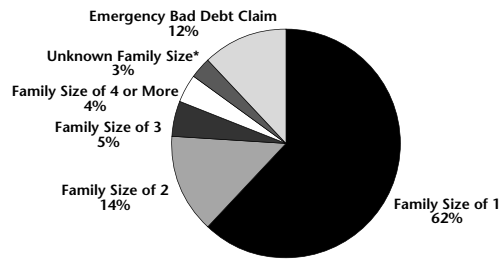
\* A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family income is unavailable for these claims.

## Figures 9A and 9B: Patient Family Size

Percent of Total Hospital Service Volume  
by Patient Family Size, PFY06



Percent of Total Hospital Costs  
by Patient Family Size, PFY06



\* A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

### Utilization Patterns of the Pool Population: Hospital Services Billed to the Pool

Except where noted, the utilization patterns of the Uncompensated Care Pool population for PFY06 remained unchanged from patterns observed in PFY05.

#### *Hospital Utilization by Gender*

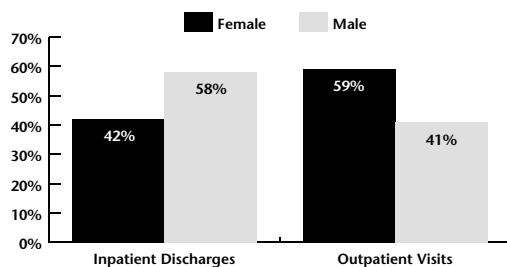
Similar to patterns observed in previous years, utilization of inpatient and outpatient services differed dramatically for

men and women during PFY06. Fifty-eight percent (58%) of all inpatient services were for men, while 59% of outpatient services (including care in outpatient clinics and hospital-licensed CHCs) were for women (see Figure 10A).

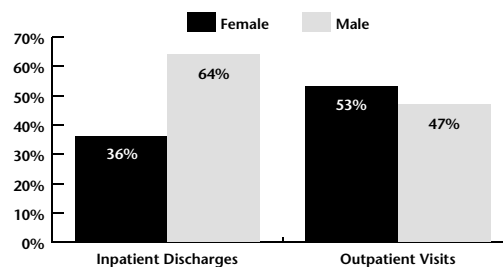
The inpatient care for men accounted for 64% of inpatient costs billed to the Pool, or approximately \$135.9 million, while inpatient care for women accounted for 36% of inpatient costs, approximately \$76.4 million. In contrast, outpatient care for women

## Figures 10A and 10B: Claim Type and Gender

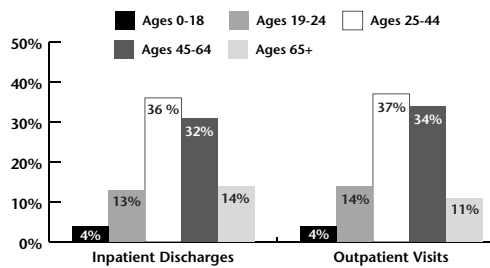
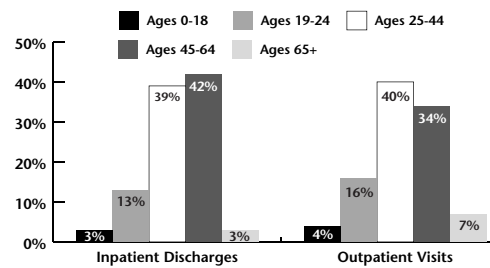
Percent of Discharges and Visits  
by Claim Type and Patient Gender, PFY06



Percent of Costs to the Pool  
by Claim Type and Patient Gender, PFY06





**Figures 11A and 11B: Claim Type and Patient Age****Percent of Discharges and Visits by Claim Type and Patient Age, PFY06****Percent of Costs to the Pool by Claim Type and Patient Age, PFY06**

accounted for over half (53%) of outpatient costs, approximately \$239.1 million, while outpatient care for men accounted for the remainder (47%), approximately \$212.0 million (see Figure 10B on page 8, and Table 1 on page 4).

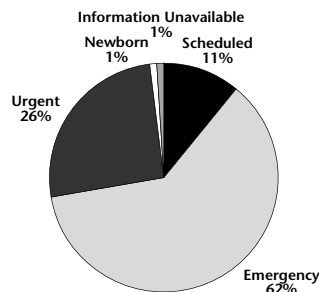
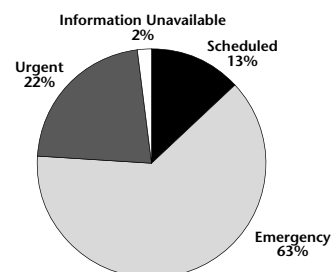
ages 45 to 64 was disproportionately expensive; services for this age group accounted for 32% of inpatient discharges, but 42% of inpatient costs (see Figures 11A and 11B).

***Hospital Utilization by Age***

Pool users ages of 25 to 44 received the most care of any age group in both hospital inpatient and outpatient settings, and generated the highest percentage of costs. However, the inpatient care for Pool users

***Type of Admission***

Eighty-eight percent of inpatient hospital services were for emergency or urgent care; slightly less than two-thirds (62%) of these services were for emergency care, and over one quarter (26%) were for urgent care. An additional 11% were for scheduled procedures (see Figures 12A and 12B).

**Figures 12A and 12B: Admission Type****Percent of Inpatient Discharges by Admission Type, PFY06****Percent of Costs to the Pool by Inpatient Admission Type, PFY06**

### ***Top Reasons for Inpatient Discharges***

In PFY06, the two most common diagnoses for inpatient care were circulatory disorders and mental diseases and disorders: 26% of inpatient services and costs were attributable to these two MDCs (see Table 2). Inpatient discharges for mental health and substance abuse related disorders continued to be prevalent within the Pool user population. In PFY06, mental health and substance abuse discharges represented 21% of the total inpatient volume and 16% of total inpatient costs.

### ***Top Reasons for Outpatient Visits***

Outpatient pharmacy services represented the largest proportion of outpatient volume (19%), and generated 9% of outpatient costs in PFY06 (see Table 3 on page 11). However, pharmacy volume and costs declined from PFY05. In PFY05, 23% of outpatient volume and 14% of outpatient costs were for pharmacy claims. These were bills for outpatient pharmacy services

only; when pharmacy services occurred along with other outpatient services, the bill was grouped under the primary service provided.

### ***Average Cost per Inpatient Discharge and Outpatient Visit<sup>3</sup>***

The average costs for inpatient discharges and hospital outpatient visits remained stable with 0% growth between PFY05 and PFY06. In PFY06, the average inpatient cost decreased 12% to \$4,964 per inpatient discharge; the average cost per hospital outpatient visit increased 5% to \$287 per visit (see Table 4 on page 12).

### ***High-Cost Users of the Pool***

One component of the Division's ongoing analysis of UCP utilization is to focus on high-cost Pool users. In PFY06, the costliest 1% of Pool users (4,420 users) generated over \$156 million (24%) in uncompensated care costs. Inpatient services for this 1% of users accounted for 49% of all

**Table 2: Top Inpatient Major Diagnostic Categories for Uncompensated Care Patients by Percent of Total Discharges and Costs to the Pool, PFY06**

MDC	Percent of Total Inpatient Discharges	Percent of Total Inpatient Costs
Circulatory Diseases and Disorders	14%	16%
Mental Diseases and Disorders	12%	10%
Digestive Diseases and Disorders	11%	10%
Respiratory Diseases and Disorders	9%	7%
Alcohol/Drug Use and Induced Organic Mental Disorders	9%	6%
Musculoskeletal Diseases and Disorders	7%	8%
Nervous System Diseases and Disorders	6%	8%
Hepatobiliary Diseases and Disorders	5%	6%
Skin, Subcutaneous Tissue, and Breast Diseases and Disorders	4%	3%
Endocrine, Nutritional, and Metabolic Diseases and Disorders	3%	3%
<b>Total for Top 10 MDCs</b>	<b>78%*</b>	<b>78%</b>

\* Total not 80% due to rounding.

**Table 3: Outpatient Ambulatory Patient Groups (APGs) for Uncompensated Care Patients by Percent of Total Visits and Costs, PFY06**

APG	Percent of Total Visits	Percent of Total Costs
Pharmacy	19%	9%
Pulmonary Tests	4%	10%
Individual Comprehensive Psychotherapy	3%	1%
Simple Musculoskeletal Diseases Except Back Disorders	2%	1%
Physical Therapy	2%	1%
Simple Gastrointestinal Diseases	2%	3%
Nonspecific Signs and Symptoms and Other Contacts with Health Services	2%	2%
Skin Diseases	2%	1%
Fracture, Dislocation and Sprain	2%	2%
Counseling or Individual Brief Psychotherapy	2%	2%
<b>Total for Top 10 APGs</b>	<b>40%</b>	<b>33%</b>

PFY06 inpatient costs to the Pool. The majority (66%) of high-cost users' costs were spent on inpatient services, while the remaining 34% of costs were for outpatient services. Clinically, the 4,420 high-cost users had 7,179 hospital discharges in PFY06, representing 18% of all PFY06 inpatient UCP discharges. High-cost users also had longer lengths of stay, received more significant procedures, and had more com-

plex diagnoses (cardiac, oncology) than other UCP users.

The Division completed a demonstration project to explore whether some high-cost UCP users may be eligible for private insurance (see page 26).

#### Data Notes

Data were drawn from these sources:

**Table 4: Average Cost per Inpatient Discharge and Outpatient Visit, PFY06 including Comparison Cost Data from PFY05**

	Number PFY06	Hospital Costs to the Pool PFY06	Average Cost PFY06	Average Cost PFY05
Inpatient Discharges	42,764	\$212,291,488	\$4,964	\$5,630
Outpatient Visits	1,569,910	\$451,119,413	\$287	\$273
<b>Total Inpatient Discharges/ Outpatient Visits</b>	<b>1,612,674</b>	<b>\$663,410,901</b>	<b>\$411</b>	<b>\$410</b>

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### ***Monthly Reports from Hospitals and CHCs***

Each month, hospitals and CHCs report their uncompensated care charges to the Division. Hospitals use the UC (uncompensated care) Form and CHCs use the CHC payment form. The UC Form is an aggregation of monthly hospital charges; the CHC payment form details monthly visit activity for CHCs as well as certain charge activity. The UC Forms are matched to each hospital's claims in the Division of Health Care Finance and Policy claims database.

### ***Pool Claims Database***

Hospitals and CHCs began electronic submission of Pool claims to the Division in March 2001. During PFY03, the Division began to withhold payments from hospitals with incomplete data. As a result, compliance with data submission requirements has improved dramatically. Although variability exists among providers, Pool charges reported in the claims database equal approximately 96% of the charges reported by hospitals on the monthly UC forms they submit to the Division of Health Care Finance and Policy.

### ***Pool Applications Database***

Hospitals and CHCs began to submit electronic uncompensated care application forms to the Division in October 2000. The application contains data as reported by the applicant.

Beginning in October of 2004, applications submitted through MassHealth were also screened for UCP eligibility, if

no MassHealth eligibility existed. The eligibility data for individuals determined to be eligible for UCP or MassHealth after October 1, 2004 have been integrated into the UCP applications database to create a comprehensive dataset of demographic and eligibility information for all individuals with UCP eligibility.

### ***Matched Pool Applications and Claims Database***

To the extent possible, the Division matches uncompensated care claims to the corresponding uncompensated care application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

The Division's matching algorithm has been revised to incorporate data from UCP applications submitted through MassHealth. This change has resulted in an improved match rate; in PFY06, 94% of uncompensated care claims matched to either a DHCFP or a MassHealth application.

A certain small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after an uncompensated care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

## **Endnotes**

1. The hospital cost analyses in this section of the report and in Table 4 use UC Form charge data to derive costs billed to the Pool (see Data Notes for an explanation of this data). Please note that UCP costs do not reflect payments to hospitals due to the UCP prospective payment system. Hospital payment data are included in the Financing section of this report. The CHC data in Figure 2B reflect actual payments to CHCs, based on their reported charges on the CHC payment form.
2. In this section of the report, hospital costs are derived from the UCP claims dataset. Hospitals report charges on each claim, and these charges are multiplied by each hospital's cost-to-charge ratio to determine hospital costs. These costs do not reflect UCP payments (see Data Notes for more information).
3. The hospital cost analyses in Table 4 use UC Form charge data to derive costs billed to the Pool (see Data Notes for an explanation of this data). Please note that UCP costs do not reflect payments to hospitals due to the UCP prospective payment system.

# Financing

## Sources of Funds

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. In some years additional Pool funding has come from other sources. Table 5 summarizes the sources and amounts of funding available to the Pool in PFY06. Detailed information about these funding sources follows.

## *Hospital Assessments*

The total amount paid by all hospitals into the Pool is established by the legislature. The FY06 state budget established a total hospital assessment of \$160.0 million. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform percentage. The uniform percentage is calculated by dividing the total assessment (\$160.0 million) by the total private sector charges from all hospitals statewide, and is currently 1.10% (see Table 8, beginning on page 20, for each hospital's annual Assessment liability to the Pool). Since each hospital's liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool.

## *Surcharge Collections*

The total amount collected via the surcharge is also established by the Massachusetts legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce the total

**Table 5: Uncompensated Care Pool Funding**

Statutory Funding	PFY06
Hospital Assessment	\$160,000,000
Surcharge Collections	\$160,000,000
General Fund Contribution	\$171,900,000
<b>Other Funds</b>	
Supp. Budget. General Fund Trans. (§. 14, Ch. 106 Acts of 2005)	\$24,100,000
Transfer from Acct. 4000-0896 (Essential)	\$10,000,000
<b>Total Funds Available for Uncompensated Care</b>	<b>\$526,000,000</b>

amount specified by the legislature. For PFY06, that amount equals \$160.0 million. If the Division collects more than \$160.0 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 2.90% in PFY05, and 2.30% in PFY06.

Over 1,300 registered surcharge payers are currently making and reporting monthly payments to the Pool. Table 6 lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy that are analyzed to ensure that surcharge payers are paying appropriate surcharge amounts. Hospitals and ambulatory surgical centers report payers who may be unregistered so that the Division may initiate appropriate follow-up.

#### **General Fund**

Each year the Commonwealth also makes a General Fund contribution to the UCP. This amount is a portion of the federal

matching funds (FFP) generated by the Pool. In PFY06 the total General Fund contribution was \$171.9 million with an additional \$24.1 million from a supplemental budget. An additional \$10 million was transferred from another source.

#### **Additional Funding for Uncompensated Care**

Since state FY98, the Commonwealth has been able to access additional funding through a supplemental payment. Between PFY98 and PFY03 these supplemental payments totaled \$70 million annually; the PFY04 payments were \$120 million.

In PFY05 the supplemental payments totaled \$140 million. This funding level was maintained in PFY06. MassHealth pays these funds to Boston Medical Center (\$71.8 million) and Cambridge Health Alliance (\$68.2 million). Uncompensated care provided by these two hospitals is funded first from the supplemental payment and the remainder is charged to the Pool.

**Table 6: Surcharge Collections**

Surcharge Payer	Collections PFY06	Percent to Total PFY06
Blue Cross Blue Shield of Massachusetts	\$73,906,129	48%
Harvard Pilgrim Health Care	\$21,667,778	14%
Tufts HMO	\$8,497,878	5%
United Health Care	\$6,816,863	4%
Connecticut General Life	\$6,020,261	4%
Total Health Plan	\$4,954,925	3%
Aetna	\$4,770,302	3%
Unicare Life & Health	\$4,069,679	3%
Fallon Community Health Plan	\$3,194,317	2%
Health New England	\$2,508,681	2%
All others	\$18,804,307	12%
Total PFY06 Collections	\$155,211,120	100%
Carry Forward Applied*	\$4,788,880	
<b>Total</b>	<b>\$160,000,000</b>	

Note: Surcharge percentage in effect: 2.30%  
\*Excess surcharge revenue from PFY05

## Uses of Funds

Tables 7, 8, 9, and 10 on the following pages provide information regarding the distribution of funds for uncompensated care to hospitals for inpatient and outpatient services, to CHCs, and to the Pool demonstration projects as well as additional detail on payments made from the Pool.

### ***Uncompensated Care Pool Hospital Payment Calculation: Charges***

The annual payment calculation is based on hospital charge data. Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full uncompensated care, partial uncompensated care, medical hardship, and emergency bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial uncompensated care and medical hardship together make up approximately 3.36% of charges to the Pool, and are included in Table 7 (beginning on page 16) within all Uncompensated Care categories.

### ***PFY06 Uncompensated Care Pool Hospital Assessment and Payment Calculations***

As shown in Table 8 (beginning on page 20), each hospital's annual assessment (column C) is based on its private sector charges (column A), which it reports to the Division. On a periodic basis, the Division calculates a uniform percentage sufficient to generate \$160.0 million in annual Pool funding. This percentage is currently 1.10% (column B).

In PFY04 a prospective payment system was implemented, such that the final payment amount for each hospital is calculated and fixed prior to the start of the Pool year.

Similar to the method employed in PFY05, the prospective payments for PFY06 were calculated using Total UC and ERBD Charges (column D) derived from hospi-

tals' Uncompensated Care Reports (October 2005 through September 2006). The base period was adjusted by a growth factor as described below.

Hospitals' PFY04 October through September charges were adjusted by 7.6% to project PFY05 charges. Projected PFY05 charges were then increased by 7.6% to project PFY06 charges.

The Division adjusts the uncompensated care charges using the ratio of each hospital's reasonable costs to charges (column E), calculated by the Division based on each hospital's charges over costs and its efficiency relative to other hospitals. The result of this adjustment is the hospitals' Allowable Uncompensated Care Costs (column F) in Table 8.

Net Adjusted Allowable Uncompensated Care Costs (column G) are derived by subtracting out supplemental payments made directly to Boston Medical Center (\$71,800,000) and Cambridge Health Alliance (\$68,200,000) as offsets to uncompensated care. Net Adjusted Allowable Uncompensated Care Costs also includes, pursuant to 114.6 CMR 11.07 (3) (a) 1.(2), a free standing pediatric hospital payment to Children's' Hospital as an add-on (\$5,792,753).

The Prospective Payment Amount (column H) is calculated for each hospital by applying the mandated payment percentages to protected hospitals, 85% for Boston Medical Center and Cambridge Health Alliance, 88% for the other hospitals in bold type, and the remaining funding to all other hospitals. The Gross Shortfall/(Surplus) (column I) in Table 8 is the amount of Allowable Uncompensated Care Costs that remains unpaid for each hospital after UCP payments are applied. Ten hospitals reflect annual negative gross shortfall amounts (surpluses) when prospective UC payments are compared to the last year-end estimate of its UCP demand. The shortfall for Children's Hospital is a

*continued on page 24...*



**Table 7: Uncompensated Care Charges for PFY06**

Hospital	Inpatient Emergency Bad Debt	+	Inpatient Uncompensated Care	=	Total Inpatient Uncompensated Care	Outpatient Emergency Bad Debt	+
Anna Jaques Hospital	263,200		1,217,765		1,480,965	1,274,221	
Athol Memorial Hospital	33,876		358,555		392,431	391,219	
Baystate Medical Center	1,390,181		19,823,956		21,214,137	3,850,355	
Berkshire/Hillcrest	882,791		6,833,212		7,716,003	2,994,683	
Beth Israel Deaconess Med Ctr	4,142,370		26,749,043		30,891,413	2,994,802	
Beth Israel Deaconess - Needham	87,504		299,061		386,565	361,381	
Boston Medical Center	3,797,108		47,530,690		51,327,798	13,049,386	
Brigham & Women's Hospital	3,448,522		41,349,689		44,798,211	1,328,695	
Brockton Hospital	873,937		9,327,786		10,201,723	4,236,392	
Cambridge/Somerville Hospital	2,576,103		32,164,659		34,740,762	8,762,756	
Cape Cod Hospital	1,045,025		7,239,553		8,284,578	3,115,419	
Caritas Norwood	545,381		3,003,340		3,548,721	1,199,324	
Carney Hospital	580,095		2,850,402		3,430,497	1,204,385	
Children's Hospital	1,036,444		4,884,570		5,921,014	1,008,535	
Clinton Hospital	75,465		837,027		912,492	407,810	
Cooley Dickinson Hospital	96,729		2,657,167		2,753,896	540,944	
Dana-Farber Cancer Institute	0		1,204,843		1,204,843	0	
Emerson Hospital	312,258		2,014,929		2,327,187	407,379	
Essent Health / Merrimac Valley	321,189		983,629		1,304,818	1,279,194	
Fairview Hospital	48,490		71,451		119,941	345,562	
Falmouth Hospital	274,387		1,600,241		1,874,628	1,318,065	
Faulkner Hospital	334,565		4,314,453		4,649,018	1,814,086	
Franklin Medical Center	260,748		2,126,978		2,387,726	749,474	
Good Samaritan Medical Center	452,512		3,514,655		3,967,167	2,054,405	
Hallmark Health	285,021		2,650,947		2,935,968	2,370,697	
Harrington Memorial Hospital	108,019		1,064,960		1,172,979	450,597	
Health Alliance	403,440		2,564,512		2,967,952	1,918,841	
Henry Heywood Memorial Hosp.	166,073		1,059,026		1,225,099	866,952	
Holy Family Hospital	389,006		4,600,228		4,989,234	1,852,787	
Holyoke Hospital	120,633		2,514,636		2,635,269	988,140	
Hubbard Regional Hospital	275,981		310,553		586,534	1,507,994	
Jordan Hospital	536,582		2,217,399		2,753,981	3,215,956	
Kindred-Boston	0		978,134		978,134	0	
Kindred-North Shore	0		0		0	0	
Lahey Clinic Hospital, Inc.	1,922,204		4,099,984		6,022,188	864,306	
Lawrence General Hospital	986,943		5,628,011		6,614,954	3,530,919	
Lowell General Hospital	162,582		3,592,007		3,754,589	1,502,997	
Marlborough Hospital	278,373		1,958,815		2,237,188	1,749,513	
Martha's Vineyard Hospital	0		555,588		555,588	786,380	



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Outpatient Uncompensated Care	=	Total Outpatient Uncompensated Care	Net Total Emergency Bad Debt	Net Total Uncompensated Care	Total UC and ERBD
973,290		2,247,511	1,537,421	2,191,055	3,728,476
980,420		1,371,639	425,095	1,338,975	1,764,070
15,697,168		19,547,523	5,240,536	35,521,124	40,761,660
6,776,710		9,771,393	3,877,474	13,609,922	17,487,396
41,380,744		44,375,546	7,137,172	68,129,787	75,266,959
502,595		863,976	448,885	801,656	1,250,541
243,651,785		256,701,171	16,846,494	291,182,475	308,028,969
34,237,331		35,566,026	4,777,217	75,587,020	80,364,237
14,987,821		19,224,213	5,110,329	24,315,607	29,425,936
94,855,285		103,618,041	11,338,859	127,019,944	138,358,803
9,428,312		12,543,731	4,160,444	16,667,865	20,828,309
2,408,880		3,608,204	1,744,705	5,412,220	7,156,925
2,720,513		3,924,898	1,784,480	5,570,915	7,355,395
6,836,230		7,844,765	2,044,979	11,720,800	13,765,779
993,904		1,401,714	483,275	1,830,931	2,314,206
2,612,721		3,153,665	637,673	5,269,888	5,907,561
9,436,527		9,436,527	0	10,641,370	10,641,370
1,551,795		1,959,174	719,637	3,566,724	4,286,361
1,283,228		2,562,422	1,600,383	2,266,857	3,867,240
1,269,844		1,615,406	394,052	1,341,295	1,735,347
3,711,348		5,029,413	1,592,452	5,311,589	6,904,041
4,506,079		6,320,165	2,148,651	8,820,532	10,969,183
4,114,389		4,863,863	1,010,222	6,241,367	7,251,589
4,591,476		6,645,881	2,506,917	8,106,131	10,613,048
4,020,210		6,390,907	2,655,718	6,671,157	9,326,875
1,807,991		2,258,588	558,616	2,872,951	3,431,567
4,763,028		6,681,869	2,322,281	7,327,540	9,649,821
2,901,695		3,768,647	1,033,025	3,960,721	4,993,746
3,398,979		5,251,766	2,241,793	7,999,207	10,241,000
4,249,463		5,237,603	1,108,773	6,764,099	7,872,872
1,094,799		2,602,793	1,783,975	1,405,352	3,189,327
6,432,881		9,648,837	3,752,538	8,650,280	12,402,818
0		0	0	978,134	978,134
0		0	0	0	0
3,305,039		4,169,345	2,786,510	7,405,023	10,191,533
8,351,393		11,882,312	4,517,862	13,979,404	18,497,266
5,400,430		6,903,427	1,665,579	8,992,437	10,658,016
3,173,913		4,923,426	2,027,886	5,132,728	7,160,614
2,073,628		2,860,008	786,380	2,629,216	3,415,596

**Table 7: Uncompensated Care Charges for PFY06**

Hospital	Inpatient Emergency Bad Debt	+	Inpatient Uncompensated Care	=	Total Inpatient Uncompensated Care	Outpatient Emergency Bad Debt	+
Mary Lane Hospital	49,593		317,655		367,248	520,482	
Mass. Eye & Ear Infirmary	66,788		703,904		770,692	356,783	
Mass. General Hospital Corp.	5,239,935		66,758,051		71,997,986	4,152,476	
Mercy Hospital	719,965		8,005,591		8,725,556	2,316,759	
Metrowest Medical Center, Inc.	956,492		6,508,218		7,464,710	4,281,416	
Milford-Whitinsville Hospital	279,756		3,129,919		3,409,675	1,911,429	
Milton Hospital	111,417		653,612		765,029	699,716	
Morton Hospital	284,760		1,848,031		2,132,791	2,242,403	
Mount Auburn Hospital	374,453		3,505,027		3,879,480	868,366	
Nantucket Cottage Hospital	19,213		224,923		243,136	671,633	
Nashoba Valley	94,114		660,052		754,166	633,760	
New England Baptist Hospital	0		291,306		291,306	0	
New England Medical Center	832,404		11,580,022		12,412,426	320,735	
Newton-Wellesley Hospital	899,593		3,483,958		4,383,551	2,539,957	
Noble Hospital	318,577		1,218,998		1,537,575	794,671	
North Adams Regional Hosp.	70,373		1,467,396		1,537,769	480,623	
North Shore Medical Center	826,844		9,686,135		10,512,979	4,929,277	
Northeast Hospital Corporation	46,187		6,267,863		6,314,050	2,534,019	
Quincy Hospital	109,335		2,472,025		2,581,360	1,271,834	
Saint Vincent Hospital	1,067,809		5,099,698		6,167,507	2,118,903	
Saints Memorial	202,242		2,304,252		2,506,494	1,077,602	
South Shore Hospital, Inc.	468,036		3,775,312		4,243,348	2,405,365	
Southcoast	1,824,653		12,414,034		14,238,687	5,343,901	
St. Anne's Hospital	694,934		2,019,818		2,714,752	1,780,554	
St. Elizabeth's Hospital	505,177		7,190,741		7,693,610	1,172,639	
Sturdy Memorial Hospital	348,064		1,558,033		1,906,097	1,695,002	
UMass Memorial	4,275,837		33,115,206		37,391,043	6,132,734	
Winchester Hospital	-100		619,680		619,580	1,674,514	
Wing Memorial Hospital	87,449		1,386,318		1,473,767	237,282	
<b>Totals</b>	<b>49,287,637</b>		<b>455,018,232</b>		<b>504,302,561</b>	<b>131,459,386</b>	

**Notes:**

1. Data are based on uncompensated care charges reported by the hospitals from October 2005 through September 2006.
2. Kindred-North Shore reported no uncompensated charges for hospital FY06 (October 2005 through September 2006).
3. Bad debt is net of recoveries; therefore some facilities may have negative bad debt.
4. All data are unaudited and subject to change with future updates and calculations.

Outpatient Uncompensated Care	=	Total Outpatient Uncompensated Care	Net Total Emergency Bad Debt	Net Total Uncompensated Care	Total UC and ERBD
1,355,705		1,876,187	570,075	1,673,360	2,243,435
2,032,717		2,389,500	423,571	2,736,621	3,160,192
102,701,532		106,854,008	9,392,411	169,459,583	178,851,994
4,351,948		6,668,707	3,036,724	12,357,539	15,394,263
9,285,547		13,566,963	5,237,908	15,793,765	21,031,673
3,631,433		5,542,862	2,191,185	6,761,352	8,952,537
529,986		1,229,702	811,133	1,183,598	1,994,731
4,088,432		6,330,835	2,527,163	5,936,463	8,463,626
5,370,340		6,238,706	1,242,819	8,875,367	10,118,186
1,286,230		1,957,863	689,846	1,511,153	2,200,999
2,061,637		2,695,397	727,874	2,721,689	3,449,563
289,706		289,706	0	581,012	581,012
12,132,580		12,453,315	1,153,139	23,712,602	24,865,741
2,044,685		4,584,642	3,439,550	5,528,643	8,968,193
1,518,887		2,313,558	1,113,248	2,737,885	3,851,133
2,197,112		2,677,735	550,996	3,664,508	4,215,504
14,830,877		19,760,154	5,756,121	24,517,012	30,273,133
5,462,682		7,996,701	2,580,206	11,730,545	14,310,751
4,000,733		5,272,567	1,381,169	6,472,758	7,853,927
3,466,476		5,585,379	3,186,712	8,566,174	11,752,886
2,853,814		3,931,416	1,279,844	5,158,066	6,437,910
5,994,534		8,399,899	2,873,401	9,769,846	12,643,247
16,822,445		22,166,346	7,168,554	29,236,479	36,405,033
3,769,308		5,549,862	2,475,488	5,789,126	8,264,614
3,940,388		5,113,027	1,675,508	11,131,129	12,806,637
2,932,645		4,627,647	2,043,066	4,490,678	6,533,744
33,317,126		39,449,860	10,408,571	66,432,332	76,840,903
1,815,959		3,490,473	1,674,414	2,435,639	4,110,053
2,135,403		2,372,685	324,731	3,521,721	3,846,452
816,702,711		948,162,097	180,743,715	1,271,720,943	1,452,464,658

**Table 8: PFY06 Assessments and Payments**

Hospital	Private Sector Charges A	Hospital Uniform Assessment B	Annual Hospital Assessment C = A x B	Total UC and ERBD Charges D
Anna Jaques Hospital	74,995,327	1.10%	827,365	3,728,476
Athol Memorial Hospital	22,199,540	1.10%	244,910	1,764,070
<b>Baystate Medical Center</b>	<b>536,676,464</b>	<b>1.10%</b>	<b>5,920,733</b>	<b>40,761,660</b>
<b>Berkshire/Hillcrest</b>	<b>149,786,833</b>	<b>1.10%</b>	<b>1,652,481</b>	<b>17,487,396</b>
Beth Israel Deaconess Med Ctr	916,594,708	1.10%	10,112,075	75,266,959
Beth Israel Deaconess Med Ctr- Needham	50,631,620	1.10%	558,579	1,250,541
<b>Boston Medical Center</b>	<b>367,042,649</b>	<b>1.10%</b>	<b>4,049,295</b>	<b>308,028,969</b>
Brigham & Women's Hospital	1,211,768,874	1.10%	13,368,501	80,364,237
<b>Brockton Hospital</b>	<b>103,472,080</b>	<b>1.10%</b>	<b>1,141,527</b>	<b>29,425,936</b>
<b>Cambridge/Somerville Hospital</b>	<b>134,166,654</b>	<b>1.10%</b>	<b>1,480,156</b>	<b>138,358,803</b>
<b>Cape Cod Hospital</b>	<b>217,204,517</b>	<b>1.10%</b>	<b>2,396,248</b>	<b>20,828,309</b>
<b>Caritas Norwood</b>	<b>129,826,110</b>	<b>1.10%</b>	<b>1,432,270</b>	<b>7,156,925</b>
<b>Carney Hospital</b>	<b>47,271,437</b>	<b>1.10%</b>	<b>521,509</b>	<b>7,355,395</b>
Children's Hospital	794,028,784	1.10%	8,759,900	13,765,779
Clinton Hospital	16,681,572	1.10%	184,035	2,314,206
Cooley Dickinson Hospital	95,765,025	1.10%	1,056,501	5,907,561
Dana-Farber Cancer Institute	420,063,024	1.10%	4,634,228	10,641,370
Emerson Hospital	240,120,619	1.10%	2,649,064	4,286,361
<b>Essent Health / Merrimac Valley</b>	<b>47,770,605</b>	<b>1.10%</b>	<b>527,016</b>	<b>3,867,240</b>
Fairview Hospital	16,618,966	1.10%	183,344	1,735,347
Falmouth Hospital	99,476,131	1.10%	1,097,443	6,904,041
Faulkner Hospital	217,380,402	1.10%	2,398,189	10,969,183
Franklin Medical Center	65,635,965	1.10%	724,110	7,251,589
Good Samaritan Medical Center	100,550,383	1.10%	1,109,294	10,613,048
Hallmark Health	201,625,587	1.10%	2,224,378	9,326,875
<b>Harrington Memorial Hospital</b>	<b>51,694,455</b>	<b>1.10%</b>	<b>570,305</b>	<b>3,431,567</b>
Health Alliance	103,720,972	1.10%	1,144,273	9,649,821
Henry Heywood Memorial Hosp.	76,242,414	1.10%	841,123	4,993,746
Holy Family Hospital	132,979,726	1.10%	1,467,062	10,241,000
<b>Holyoke Hospital</b>	<b>59,675,949</b>	<b>1.10%</b>	<b>658,358</b>	<b>7,872,872</b>
Hubbard Regional Hospital	26,136,771	1.10%	288,347	3,189,327
Jordan Hospital	201,976,511	1.10%	2,228,249	12,402,818
Kindred-Boston	9,946,143	1.10%	109,728	978,134
Kindred-North Shore	3,585,725	1.10%	39,559	-
Lahey Clinic Hospital, Inc.	461,266,225	1.10%	5,088,791	10,191,533
<b>Lawrence General Hospital</b>	<b>86,030,318</b>	<b>1.10%</b>	<b>949,105</b>	<b>18,497,266</b>

Cost-to-Charge Ratio	Allowable Uncompensated Care Costs	Net Adjstd Allowable Uncompensated Care Costs	Prospective Payment Amount	Gross Shortfall/(Surplus)	Net Annual Payments from (to) the Pool
E	F = D x E	G	H	I = G-H	J = H - C
46.77%	1,743,808	1,743,808	1,249,690	494,118	422,325
29.25%	515,991	515,991	284,287	231,704	39,376
<b>46.55%</b>	<b>18,974,553</b>	<b>18,974,553</b>	<b>10,769,022</b>	<b>8,205,531</b>	<b>4,848,289</b>
<b>52.24%</b>	<b>9,135,416</b>	<b>9,135,416</b>	<b>6,950,581</b>	<b>2,184,835</b>	<b>5,298,099</b>
39.69%	29,873,456	29,873,456	16,306,297	13,567,159	6,194,222
40.62%	507,970	507,970	153,604	354,366	(404,975)
<b>53.97%</b>	<b>166,243,235</b>	<b>94,443,235</b>	<b>136,114,841</b>	<b>(41,671,606)</b>	<b>132,065,545</b>
33.49%	26,913,983	26,913,983	18,818,151	8,095,832	5,449,650
<b>45.06%</b>	<b>13,259,327</b>	<b>13,259,327</b>	<b>11,424,953</b>	<b>1,834,374</b>	<b>10,283,426</b>
<b>69.74%</b>	<b>96,491,429</b>	<b>28,291,429</b>	<b>56,538,066</b>	<b>(28,246,637)</b>	<b>55,057,910</b>
<b>50.62%</b>	<b>10,543,290</b>	<b>10,543,290</b>	<b>8,349,197</b>	<b>2,194,093</b>	<b>5,952,949</b>
<b>41.98%</b>	<b>3,004,477</b>	<b>3,004,477</b>	<b>1,547,368</b>	<b>1,457,109</b>	<b>115,098</b>
<b>55.86%</b>	<b>4,108,724</b>	<b>4,108,724</b>	<b>5,294,094</b>	<b>(1,185,370)</b>	<b>4,772,585</b>
50.87%	7,002,652	7,002,652	10,126,569	(3,123,918)	1,366,669
32.67%	756,051	756,051	811,024	(54,973)	626,989
50.85%	3,003,995	3,003,995	1,669,359	1,334,636	612,858
38.94%	4,143,750	4,143,750	1,664,912	2,478,838	(2,969,316)
32.65%	1,399,497	1,399,497	826,930	572,567	(1,822,133)
<b>39.15%</b>	<b>1,514,025</b>	<b>1,514,025</b>	<b>1,511,835</b>	<b>2,189</b>	<b>984,819</b>
61.00%	1,058,562	1,058,562	714,533	344,029	531,188
48.48%	3,347,079	3,347,079	1,452,117	1,894,963	354,674
29.80%	3,268,817	3,268,817	1,516,282	1,752,535	(881,907)
38.99%	2,827,395	2,827,395	1,657,314	1,170,080	933,204
52.76%	5,599,444	5,599,444	4,057,342	1,542,102	2,948,048
44.55%	4,155,123	4,155,123	2,471,362	1,683,760	246,985
<b>52.52%</b>	<b>1,802,259</b>	<b>1,802,259</b>	<b>1,245,229</b>	<b>557,030</b>	<b>674,924</b>
40.93%	3,949,672	3,949,672	1,905,695	2,043,977	761,422
35.69%	1,782,268	1,782,268	1,231,143	551,125	390,020
42.94%	4,397,485	4,397,485	3,099,867	1,297,618	1,632,806
<b>46.03%</b>	<b>3,623,883</b>	<b>3,623,883</b>	<b>3,014,490</b>	<b>609,393</b>	<b>2,356,131</b>
42.53%	1,356,421	1,356,421	583,098	773,323	294,751
36.31%	4,503,463	4,503,463	1,821,902	2,681,562	(406,348)
18.09%	176,944	176,944	10,385	166,559	(99,343)
14.21%	0	0	-	0	(39,559)
48.76%	4,969,392	4,969,392	2,835,393	2,133,999	(2,253,398)
<b>47.32%</b>	<b>8,752,906</b>	<b>8,752,906</b>	<b>7,068,592</b>	<b>1,684,315</b>	<b>6,119,486</b>

**Table 8: PFY06 Assessments and Payments**

Hospital	Private Sector Charges A	Hospital Uniform Assessment B	Annual Hospital Assessment C = A x B	Total UC and ERBD Charges D
Lowell General Hospital	174,633,411	1.10%	1,926,594	10,658,016
Marlborough Hospital	63,314,625	1.10%	698,501	7,160,614
Martha's Vineyard Hospital	36,358,953	1.10%	401,120	3,415,596
Mary Lane Hospital	24,817,704	1.10%	273,794	2,243,435
Mass. Eye & Ear Infirmary	125,475,622	1.10%	1,384,275	3,160,192
Mass. General Hospital Corp.	1,543,583,483	1.10%	17,029,153	178,851,994
<b>Mercy Hospital</b>	<b>111,734,839</b>	<b>1.10%</b>	<b>1,232,683</b>	<b>15,394,263</b>
Metrowest Medical Center, Inc.	280,849,700	1.10%	3,098,396	21,031,673
Milford-Whitinsville Hospital	185,943,944	1.10%	2,051,375	8,952,537
Milton Hospital	54,954,732	1.10%	606,273	1,994,731
Morton Hospital	84,463,225	1.10%	931,817	8,463,626
Mount Auburn Hospital	202,164,487	1.10%	2,230,323	10,118,186
Nantucket Cottage Hospital	17,110,180	1.10%	188,763	2,200,999
Nashoba Valley	56,460,175	1.10%	622,881	3,449,563
New England Baptist Hospital	174,969,651	1.10%	1,930,304	581,012
New England Medical Center	449,364,905	1.10%	4,957,493	24,865,741
Newton-Wellesley Hospital	397,716,605	1.10%	4,387,697	8,968,193
Noble Hospital	44,448,032	1.10%	490,361	3,851,133
North Adams Regional Hosp.	58,412,004	1.10%	644,414	4,215,504
North Shore Medical Center	276,834,386	1.10%	3,054,098	30,273,133
Northeast Hospital Corporation	217,681,689	1.10%	2,401,512	14,310,751
<b>Quincy Hospital</b>	<b>68,106,846</b>	<b>1.10%</b>	<b>751,370</b>	<b>7,853,927</b>
<b>Saint Vincent Hospital</b>	<b>207,297,797</b>	<b>1.10%</b>	<b>2,286,955</b>	<b>11,752,886</b>
Saints Memorial	102,034,713	1.10%	1,125,669	6,437,910
South Shore Hospital, Inc.	284,196,204	1.10%	3,135,315	12,643,247
<b>Southcoast</b>	<b>326,943,504</b>	<b>1.10%</b>	<b>3,606,913</b>	<b>36,405,033</b>
<b>St. Anne's Hospital</b>	<b>72,384,578</b>	<b>1.10%</b>	<b>798,563</b>	<b>8,264,614</b>
<b>St. Elizabeth's Hospital</b>	<b>177,173,304</b>	<b>1.10%</b>	<b>1,954,615</b>	<b>12,806,637</b>
Sturdy Memorial Hospital	100,021,071	1.10%	1,103,455	6,533,744
UMass Memorial	831,531,680	1.10%	9,173,641	76,840,903
Winchester Hospital	231,380,875	1.10%	2,552,645	4,110,053
Wing Memorial Hospital	30,001,789	1.10%	330,986	3,846,452
<b>Totals</b>	<b>14,502,973,798</b>	<b>1.10%</b>	<b>160,000,000</b>	<b>1,452,464,658</b>

## Notes:

1. In PFY04 a prospective payment system was implemented and the final annual hospital payment amount for each hospital is calculated and fixed prior to the start of the pool year.
2. Private Sector Charges (PSC) are derived from hospitals' UC Reports from June 2005 through May 2006 as included in the September PFY06 Calculation.
3. Total Uncompensated Care is derived from hospitals' UC Reports from October 2005 through September 2006.
4. Cost to Charge Ratios were prepared in July 2006 from the hospital FY05 final Cost to Charge Ratio using charge and cost data from the hospital FY05 HCF-403.
5. Net Adjusted Allowable Uncompensated Care Costs have been reduced by the supplemental payments to Boston Medical Center and Cambridge Health Alliance.
6. All hospital reported data are unaudited and subject to change with future updates and calculations.

Cost-to-Charge Ratio	Allowable Uncompensated Care Costs	Net Adjstd Allowable Uncompensated Care Costs	Prospective Payment Amount	Gross Shortfall/(Surplus)	Net Annual Payments from (to) the Pool
E	F = D x E	G	H	I = G-H	J = H - C
36.83%	3,925,347	3,925,347	1,841,973	2,083,374	(84,621)
31.11%	2,227,667	2,227,667	1,020,165	1,207,502	321,665
43.74%	1,493,982	1,493,982	871,068	622,914	469,948
47.50%	1,065,632	1,065,632	605,436	460,196	331,642
49.85%	1,575,356	1,575,356	1,024,955	550,401	(359,320)
29.34%	52,475,175	52,475,175	32,725,534	19,749,641	15,696,381
<b>40.27%</b>	<b>6,199,270</b>	<b>6,199,270</b>	<b>6,300,788</b>	<b>(101,519)</b>	<b>5,068,105</b>
33.24%	6,990,928	6,990,928	3,544,938	3,445,990	446,542
35.00%	3,133,388	3,133,388	1,570,916	1,562,472	(480,458)
43.23%	862,322	862,322	513,620	348,703	(92,653)
44.75%	3,787,473	3,787,473	1,946,793	1,840,679	1,014,976
48.03%	4,859,765	4,859,765	2,467,860	2,391,905	237,537
77.02%	1,695,209	1,695,209	703,027	992,183	514,263
39.32%	1,356,368	1,356,368	622,937	733,431	56
48.52%	281,907	281,907	184,939	96,968	(1,745,365)
34.18%	8,499,110	8,499,110	9,092,093	(592,983)	4,134,600
36.88%	3,307,470	3,307,470	1,643,787	1,663,683	(2,743,911)
39.10%	1,505,793	1,505,793	752,389	753,404	262,029
38.74%	1,633,086	1,633,086	830,248	802,838	185,834
49.66%	15,033,638	15,033,638	9,069,237	5,964,401	6,015,139
47.33%	6,773,278	6,773,278	3,024,721	3,748,558	623,209
<b>48.48%</b>	<b>3,807,584</b>	<b>3,807,584</b>	<b>3,889,687</b>	<b>(82,103)</b>	<b>3,138,317</b>
<b>39.14%</b>	<b>4,600,080</b>	<b>4,600,080</b>	<b>5,356,264</b>	<b>(756,185)</b>	<b>3,069,310</b>
39.79%	2,561,644	2,561,644	1,707,099	854,545	581,430
49.75%	6,290,015	6,290,015	3,473,660	2,816,356	338,345
<b>47.00%</b>	<b>17,110,366</b>	<b>17,110,366</b>	<b>15,618,258</b>	<b>1,492,107</b>	<b>12,011,346</b>
<b>38.89%</b>	<b>3,214,108</b>	<b>3,214,108</b>	<b>3,467,998</b>	<b>(253,890)</b>	<b>2,669,435</b>
<b>44.24%</b>	<b>5,665,656</b>	<b>5,665,656</b>	<b>5,236,482</b>	<b>429,175</b>	<b>3,281,867</b>
52.54%	3,432,829	3,432,829	1,823,280	1,609,549	719,826
36.19%	27,808,723	27,808,723	17,040,910	10,767,813	7,867,269
46.22%	1,899,667	1,899,667	1,137,751	761,915	(1,414,894)
61.96%	2,383,262	2,383,262	1,795,667	587,595	1,464,681
<b>45.59%</b>	<b>662,162,835</b>	<b>522,162,835</b>	<b>466,000,000</b>	<b>56,162,835</b>	<b>306,000,000</b>

negative amount due to the special add-on payment.

Table 8 includes each hospital's Net Annual Payments to or from the Pool (column J), calculated by subtracting the hospital's assessment from its hospital payment. However, hospitals make and receive payments based on the gross amounts.

It is important to note that Table 8 incorporates updated uncompensated care charge data (column D) from October 2005 through September 2006, and updated cost to charge ratios (column E), which result in an updated projection of the shortfall amounts (column I).

#### ***PFY06 Projected and Actual Payment Percentages***

Table 9 summarizes the ratio of PFY06 Uncompensated Care payments to total Uncompensated Care costs. It shows the difference between the payment percentages calculated using projected costs and the percentages calculated using actual costs. The projected payment percentages are the PFY06 payment projections as specified by legislation, while the actual payment percentages reflect up-to-date PFY06 charge data and cost to charge ratios.

#### ***Community Health Center Payments for Uncompensated Care, PFY06***

CHCs report monthly allowable uncompensated care costs to the Division. Since PFY04 a set amount has been appropriated for payments to CHCs, and \$46.1

million was paid out to CHCs during PFY06 (see Table 10 on page 25).

### **Demonstration Projects**

In July 1997, the Massachusetts legislature enacted legislation (M.G.L. c.118G s.18) authorizing the Division to allocate up to \$10 million in Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Each demonstration project was required to demonstrate the potential to save the Pool at least \$1 for every dollar it received in funding. None of the projects established cost-neutrality although two case management projects that targeted patients with congestive heart failure approached cost-neutrality. Chapter 47 also designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. These three projects continued to receive Pool funding through PFY06 (see Table 11 on page 26).

#### ***Ecu-Health Care, Inc. and Hampshire Health Access***

The Division provides \$40,000 in Pool funds annually to each of the Ecu-Health Care projects in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents to affordable and accessible

**Table 9: PFY06 Uncompensated Care Payments as a Percentage of Total UC Costs**

Hospital Category	PFY06 Payment Percentages (basis of prospective payments)	PFY06 Payment Percentages (based on actual costs)
DSH (85%)	85.0%	126.6%
Community-DSH (88%)	88.0%	91.3%
All Other Hospitals	55.0%	61.6%



**Table 10: Community Health Center Payments for Uncompensated Care, PFY05 and PFY06<sup>1</sup>**

Community Health Center	PFY05	PFY 06 <sup>2</sup>	Difference	% Change
Boston Health Care for the Homeless Program	818,712	1,005,807	187,095	22.9%
Brockton Neighborhood Health Center	2,141,151	2,698,621	557,470	26.0%
Cape Cod Free Care Clinic-Falmouth	166,661	219,089	52,428	31.5%
Caring Health Center	776,833	652,477	(124,356)	-16.0%
Children's Health Program	209,524	281,217	71,693	34.2%
Community Health Center of Franklin County	548,942	708,896	159,954	29.1%
Community Health Connections	1,337,263	2,485,393	1,148,130	85.9%
Dimock Community Health Center	513,379	653,085	139,706	27.2%
Family Health and Social Service Center	2,366,691	2,454,863	88,172	3.7%
Fenway Community Health Center	193,558	259,668	66,110	34.2%
Geiger-Gibson Community Health Center	825,628	788,377	(37,251)	-4.5%
Great Brook Valley Health Center	6,459,884	6,545,264	85,380	1.3%
Greater Lawrence Family Health Center	1,220,180	2,534,165	1,313,985	107.7%
Greater New Bedford Community Health Center	1,966,645	2,378,655	412,010	21.0%
Harvard Street Neighborhood Health Center	673,377	641,495	(31,882)	-4.7%
Health First Family Care Center	316,504	586,219	269,715	85.2%
Hilltown Community Health Center	363,126	392,636	29,510	8.1%
Holyoke Health Center, Inc.	1,144,256	1,323,445	179,189	15.7%
Island Health Care, Inc.	110,445	162,357	51,912	47.0%
Joseph M. Smith Community Health Center	1,884,571	2,543,374	658,803	35.0%
Lowell Community Health Center	471,201	903,202	432,001	91.7%
Lynn Community Health Center	4,032,592	4,371,723	339,131	8.4%
Manet Community Health Center	514,457	700,417	185,960	36.1%
Mattapan Community Health Center	439,180	372,988	(66,192)	-15.1%
Mid-Upper Cape Community Health Center	467,495	645,707	178,212	38.1%
Neponset Health Center	631,921	826,490	194,569	30.8%
North End Community Health Center	218,249	224,120	5,871	2.7%
North Shore Community Health Center	701,657	1,087,045	385,388	54.9%
O'Neil Health Clinic, Inc. / Duffy Health Center	293,877	393,135	99,258	33.8%
Outer Cape Health Services, Inc.	318,497	455,637	137,140	43.1%
Roxbury Comprehensive Community Health Center	646,312	498,200	(148,112)	-22.9%
Sidney Borum Jr. Health Center	61,800	80,895	19,095	30.9%
South Cove Community Health Center	2,324,280	3,720,506	1,396,226	60.1%
South End Community Health Center	490,320	394,037	(96,283)	-19.6%
Stanley Street Treatment and Resources	357,623	435,932	78,309	21.9%
Upham's Corner Health Center	615,631	814,113	198,482	32.2%
Whittier Street Neighborhood Health Center	910,580	873,157	(37,423)	-4.1%
<b>Total</b>	<b>37,533,002</b>	<b>46,112,408</b>	<b>8,579,406</b>	<b>22.9%</b>

## Notes:

1. Based on actual data from 12 months (Oct 2004 through Sept 2005 for PFY05, and Oct 2005 through Sept 2006 for PFY06).

2. PFY06 includes a total surplus payment of \$2,271,399 distributed to all CHCs.

**Table 11: PFY06 Pool Payments to Demonstration Projects**

	PFY04	PFY05	PFY06
<b>Legislative Contracts</b>			
Ecu-Health Care	\$40,000	\$40,000	\$40,000
Hampshire Health Access	\$40,000	\$40,000	\$40,000
Fishing Partnership Health Plan	\$3,000,000	\$3,000,000	\$3,000,000
Disease Management Program*			\$91,290
Inspector General Audit of the Pool		\$1,164,699	\$671,680
<b>Total</b>	<b>\$3,080,000</b>	<b>\$4,244,699</b>	<b>\$3,842,970</b>

\* Funds Extended into PFY07

health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no cost. In the state FY03 budget the legislature extended these projects through FY07.

#### ***The Massachusetts Fishermen's Partnership, Inc.***

The Fishing Partnership Health Plan (FPHP) offers fishermen and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by the UCP. The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. In FY02 the state legislature allocated increased funding from \$2 million to \$3 million a year effective FY03 through FY07.

The FPHP contracts with Tufts Health Plan to offer fishermen and their families a comprehensive benefit package that includes access to Tufts' network of provid-

ers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen; currently 2,100 fishermen and their family members are enrolled.

#### ***Disease Management Program: Insurance Investigation of High-Cost Users***

In PFY05, the Division received funding for a new demonstration project to investigate the feasibility of a disease management program for UCP users. UCP data showed a significant concentration of costs among those with yearly costs in the top 1% of Pool users (see page 10 for more discussion of this data). This analysis led to a shift in the development of the demonstration project; the Division initiated a pilot project to determine whether UCP users may be eligible for insurance, coverage that may have been unknown or turned down by the beneficiary. The Division contracted with experienced insurance investigation staff, who administered a survey to UCP patients to gather information about other potential sources of coverage such as employers, former employers

*continued on page 29...*

**Table 12: Uncompensated Care: Sources and Uses of Funds (in \$ millions)**

Uncompensated Care Trust Fund	PFY05	PFY06
<b>Budgeted Revenue Sources</b>		
Hospital Assessment	160.0	160.0
Surcharge Payers	160.0	160.0
General Fund Contribution	210.0	171.9
<b>Other Funding Sources</b>		
General Fund Transfer, Supp. Budget. (§. 154, Ch. 352 Acts of 2004)	12.0	
General Fund Transfer, Supp. Budget. (§. 14, Ch. 106 Acts of 2005)		24.1
General Fund Transfer	75.0	
Surplus from PFYs 1998, 1999	12.0	
Medical Assistance Transfer Account*	7.2	
Transfer from account # 4000-0896 (Essential)	75.0	10.0
<b>Total Sources</b>	<b>711.2</b>	<b>526.0</b>
<b>Uses of Funds</b>		
UCTF Pool Uses of Funds		
Hospitals	(498.6)	(466.0)
Community Health Centers (Budgeted Funding)	(39.8)	(56.0)
CHC Funding paid back to Gen. Fund per §. 97, Ch. 139 Acts of 2006.	2.3	
Community Health Centers Special 2006 Distribution for Continuing Goals**		(2.3)
Demonstration Projects (Historic Pool)	(3.1)	(4.0)
Demonstration Project: Disease Management	(4.9)	-
Pool Audit Unit: Transfer to Inspector General	(4.9)	-
MassHealth Essential	(160.0)	-
<b>Total Uses</b>	<b>(711.2)</b>	<b>(526.0)</b>
<b>Uncompensated Care Pool: Financial Summary</b>	<b>PFY05</b>	<b>PFY06</b>
<b>Hospitals</b>		
Hospital Payments	(498.6)	(466.0)
Offsets to UCP	(140.0)	(140.0)
Net Allowable UCP Costs***	(701.8)	(662.1)
Hospital Shortfall	(63.2)	(56.1)
<b>Community Health Centers</b>		
Community Health Center Payments****	(37.5)	(56.0)
Community Health Centers Special Distribution for Continuing Goals		(2.3)
Net Allowable UCP Costs	(37.5)	(46.1)
CHC Surplus	0.0	9.9
<b>UCP Surplus/(Shortfall)</b>	<b>(63.2)</b>	<b>(46.2)</b>

\* In PFY05 a small portion of funds was transferred from interest to offset a reduction in the amount received from the Medical Assistance Transfer Account.

\*\* Continuing goals include use of electronic medical records, enhanced claims and billing system, additional eligibility processing staff and start-up or inventory costs for 340B pharmacies.

\*\*\* PFY05 Net Allowable UCP Costs were based on 12mos of actual PFY05 data using FY04 CCRs. PFY06 Net Allowable UCP Costs were based on 12mos of actual PFY06 data using FY05 CCRs.

\*\*\*\*2006 estimated total payments include \$2.3m of the 2006 CHC funding paid out to CHCs as a 2006 year-end special distribution. The value of the payment is included in the total budgeted funds for PFY06, but it retained a separate line-item for accounting purposes. The payment was disbursed in Sep 2006.

**Table 13: Uncompensated Care Pool Settlements**

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Other State Funds	Other Supplemental Funds	MassHealth Essential or Seniors' and Childrens' Fund
2006	Sep '06 Calculation* Updated Feb '07	160,000,000	160,000,000	171,900,000	34,100,000	A	-
2005	Post Year End Latest Data*	160,000,000	160,000,000	210,000,000	169,085,421	B	12,114,579
2004	FINAL Stlmnt for Uniform Assessment	157,500,000	157,500,000	140,000,000	99,500,000	C	34,742,774
2003	Pending FINAL Stlmnt*	170,000,000	100,000,000	45,000,000	30,000,000	D	-
2002	FINAL	170,000,000	100,000,000	30,000,000	102,000,000	E	33,750,000
2001	FINAL	215,000,000	100,000,000	30,000,000	25,000,000	F	7,305,196
2000	FINAL	215,000,000	100,000,000	30,000,000	15,000,000	G	18,134,774
1999	FINAL	215,000,000	100,000,000	30,000,000		H	(13,895,992)
1998	FINAL	215,000,000	100,000,000	30,000,000		I	(10,173,821)
1997	FINAL	315,000,000		15,000,000		J	12,500,000
1996	FINAL	315,000,000		15,000,000			
1995	FINAL	315,000,000		15,000,000			

Notes: All amounts are in dollars (\$).

\* Amounts subject to change from updated data and at Final and/or Interim Settlement.

\*\* Reserves and Expenses includes funds set aside for Special Programs (e.g., Demo Projects). PFY05 includes \$2,271,398 and PFY06 includes \$9,887,590 returned to General Fund per S.97, Ch.139 of the Acts of 2006.

A \$34,100,000 funding from the MassHealth Essential Fund.

B \$169,085,421 = \$12,000,000 from Sect. 154 of Ch. 352 of the Acts of 2004; \$7,085,421 from Medical Assistance Transfer Acct; \$75,000,000 from General Fund and \$75,000,000 from MassHealth Essential Fund; \$12,114,579 = in June 2005 \$9,000,000 of surplus funds from PFY98 and PFY99 were added to PFY05 hospital payments through a special distribution, and \$3,000,000 in installments July to September; \$114,579 from residual funds to offset Medical Assistance Transfer Account funds reduction.

C \$99,500,000 = \$35,000,000 from the General Fund pursuant to Sect. 619; \$55,000,000 from Jobs and Growth Tax Relief Act pursuant to Sect. 618; \$6,500,000 for CHCs from the Health Care Quality Improvement Fund pursuant to Sect 620; and a Supplemental Budget provided an additional \$3,000,000 for CHCs. \$34,742,774 = \$28,000,000 from prior years' funds and in June 2005 \$6,742,774 of surplus funds from PFY98 and PFY99 were added to PFY04 hospital payments through a special distribution.

D \$30,000,000 provided by state FY03 statute Shortfall Relief from Tobacco Fund.

E \$102,000,000 = state FY02 statute provided \$45,000,000 as relief to hospital assessment and an additional \$45,000,000 in Uncompensated Care Cost Funding. The state FY03 statute provided an additional \$12,000,000 for Uncompensated Care Funding (Shortfall Relief).

F \$25,000,000 = \$10,000,000 in state FY01 Statutory Relief and \$15,000,000 in state FY02 Statutory Relief. \$7,305,196 = \$1,100,000 from Sect. 56 Compliance Liability Fund. Additional funding from PFY00 surplus (\$5,865,226) and PFY98 surplus (\$339,970).

G \$15,000,000 from state FY01 Statutory Budget Relief. \$18,134,774 = \$9,000,000 from PFY98 Surplus, \$15,000,000 in Sect. 56 Compliance Liability Fund and \$5,865,226 surplus transferred to PFY01.

Reserves and Expenses**	Community Health Center Payments	Balance Payable to Hospitals	Allowable Hospital UC Costs	Hospital Surplus/ (Shortfall)	Percent Of UC Costs Paid	Hospital Uniform Assessment	Surcharge Payers Assessment
13,887,590	46,112,408	466,000,002	522,138,695	(56,138,693)	89%	1.10%	2.30%
15,075,536	37,533,002	498,591,462	546,626,573	(48,035,111)	91%	1.17%	2.90%
5,622,705	36,877,295	386,742,774	564,906,577	(178,163,803)	69%	1.24%	3.25%
3,858,121	28,729,723	312,412,156	483,038,519	(170,626,363)	65%	1.47%	1.85%
6,268,617	22,469,076	339,512,307	378,960,223	(39,447,916)	90%	1.69%	2.15%
6,803,672	17,747,789	308,503,735	327,235,015	(18,731,280)	94%	2.39%	1.80%
5,927,535	15,735,998	310,221,242	310,221,241	1	100%	2.68%	3.00%
2,958,178	14,491,604	301,904,226	301,904,226	-	100%	3.17%	5.06%
2,543,188	16,026,457	316,256,534	316,256,534	-	100%	3.52%	5.06%
-	16,031,038	326,468,962	430,959,137	(104,490,175)	76%	5.74%	
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%	
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%	

H (\$13,895,992) = (\$13,908,923) transferred toward \$18,742,774 for PFY04 and PFY05 added payments; \$12,931 from Sect. 56 Compliance Liability Fund.

I (\$10,173,821) = \$9,000,000 transferred to PFY00 and \$4,833,851 toward \$18,742,774 used for PFY04 and PFY05 added payments; \$339,970 transferred to PFY01; and \$4,000,000 from Sect. 56 Compliance Liability Fund.

J \$12,500,000 from Sect. 56 Compliance Liability Fund.

(through COBRA), spousal employment, or other governmental payers (such as the Veteran's Administration). The project was a pilot to see whether benefits coordination may be possible for the UCP population. This project was completed in October 2006.

This insurance investigation demonstration project determined that a small proportion of UCP users (10%) may have access to employer-based health insurance, but that this access is often complicated by the cost of insurance. Only 15% of the survey population reported working full-

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time. Over one-quarter (26%) of the survey participants indicated that they had never had health insurance. This project's findings have helped inform and develop the Division's health care reform initiatives.

### **Summary of Sources and Uses of Funds**

Table 12 on page 27 provides a summary of the Sources and Uses of Pool funds in PFY05 and PFY06. The financial summary section contains up-to-date information on PFY06 hospital and CHC Pool expenditures, as well as any annual UCP shortfall.

### **Pool Settlements**

The Pool makes monthly payments to hospitals, and hospitals make monthly payments to the Pool on an estimated basis. Prior to PFY04, the Division of Health Care Finance and Policy calculated the payment amounts based on a rolling average of each hospital's most recently reported 12 months of uncompensated care and private sector charges, adjusted for industry trends.

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool year data are available. The final payments made based on this final calculation are referred to as the final settlement of the Pool fiscal year. At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid, based on final data. Factors that would cause the final payment to differ from the initial estimated payment include: a change in the amount of uncompensated care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-up of charges over costs, a change in the hospital's overall payer mix, audit adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited uncompensated care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

The Division conducts interim settlements in order to ensure that as much funding as possible is available for Pool payments. The Division conducts an interim settlement as soon as 12 full months of uncompensated care charges and private sector charges are available for the Pool fiscal year, as well as an updated cost to charge ratio. Conducting interim settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Table 13, beginning on page 28, illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including payments to hospitals, payments to CHCs, and payments for the MassHealth Essential program. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool.

The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available Pool funds. No shortfall existed in PFY98, PFY99, or PFY00. However, projections for PFY01 through PFY05 indicate shortfalls. The percent of uncompensated care costs paid is the percent of hospitals' allowable uncompensated care costs that were paid by the Pool that year. The last column indicates the steadily decreasing percentage of the uniform assessment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 8) on page 15.

## **Pool Management**

### ***Audits***

The Division continues its audit activity. Compliance with the Division's regulations both ensures fairness and increases accountability among providers. Audits also enhance the Division's ability to complete final settlements on outstanding Pool years.

The Division selects providers for audit based upon providers' historical billings to the Pool, uncompensated care application submissions, and other reporting requirements. Field audit teams visit hospitals and collect samples of uncompensated care applications and patient records to ensure that they comply with the laws and regulations governing uncompensated care.

The Division's audit activities have had an educational focus, emphasizing a collaborative effort between the agency and providers to learn and implement the regulations. A goal of the audits has been to identify issues and correct them system-wide through training. The Division has also used audits to inform Pool policy development. Based on audit findings, the

Division has made adjustments to providers' payments from the Pool that will be implemented upon final settlement.

### ***PFY05 Pool Reform Audits***

As part of the PFY05 Pool reforms, the Acts of 2004 mandated that the Division conduct independent utilization and financial audits of the Uncompensated Care Pool. In PFY05 the Division contracted with two independent firms to conduct these audits.

The clinical utilization audit is designed to monitor the appropriateness of services paid for by the Pool, and to promote the delivery of care in the most appropriate setting. The audit is examining the effectiveness of the PFY05 Critical Access policy reform, which limits payments for primary care performed in hospital settings.

The financial audit of the Pool has as its primary goal the examination of the current Pool payment system. Audit staff are also investigating potential Third-Party Liability for people served by the UCP. These audits will be concluded during PFY07. Audit findings will influence Pool policy development and highlight possible areas for reform within the UCP.

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# Production Notes

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